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California Legislature
Senate Committee
on
Natural Resources and Water
SHEILA JAMES KUEHL
CHAIR

CHIEF CONSULTANT
BILL CRAVEN

PRINCIPAL CONSULTANT
DENNIS O'CONNOR

CONSULTANT
MARIE LIU

COMMITTEE ASSISTANTS
PATTY HANSON
CATHY CRUZ

STATE CAPITOL, ROOM 407
SACRAMENTO, CA 95814
TEL (916) 651-4116
FAX (916) 323-2232

***The Senate Committee on Natural Resources and Water
Report to the Conference Committee on Infrastructure Bonds***

Recommendations For The Proposed Infrastructure Bonds

March 1, 2006

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1. Introduction

Beginning January 24, 2006, and over the course of the following five weeks, the Senate Committee on Natural Resources and Water held weekly hearings on the Governor's proposed flood and water bond.

The Committee Chair, Senator Sheila Kuehl, set the tone at the first hearing, saying "The leadership of both parties in both houses has agreed that the relevant policy committees will hear the bond proposals, and Senator Perata has emphasized that the hearings should be substantive and should carefully consider the bond proposals because of their potential to affect every Californian."

Each week the Committee focused on only one or two issues.

The focus of the first hearing, on January 24, was the water bond in its entirety and the overarching policy questions raised by the Governor's proposal. The following week the Committee examined the flood aspects of the Governor's proposal. Next, on February 7, the Committee explored the issues raised by the regional water management provisions. The statewide water management provisions were the subject of the hearing the following week. The final hearing, on February 21, addressed the proposed water fee and the need for additional funds for the environment and natural resources.

Each hearing started with a presentation by the administration on the day's topic. Following extensive questions by the Committee, Senator Kuehl would then invite comments from a response panel. Each response panel was selected provide unique and expert opinion on the Governor's proposal. Panelists included:

- Richard Atwater, General Manager, Inland Empire Utilities Agency
- Stein Buer, Executive Director Sacramento Area Flood Control Agency
- Meg Catzen-Brown, Legislative Advocate, California Water Association
- Joe Countryman, Principal, MBK Engineers
- Peter Gleick, President, Pacific Institute
- Elizabeth Goldstein, President, California State Parks Foundation
- Martha Guzman, Legislative Advocate, California Rural Legal Assistance Foundation
- Marc Holmes, Public Member, California Bay-Delta Authority
- Steve Johnston, Director of California Strategic Initiatives, The Nature Conservancy
- Rande Knouse, Special Assistant to the General Manager, East Bay MUD
- Betsy Marchand, Former Chairperson, State Reclamation Board
- Anne Notthoff, California Advocacy Director, Natural Resources Defense Council
- Randy Pool, General Manager, Sonoma County Water Authority
- Anthony Saracino, Director of Water Policy, The Nature Conservancy
- Tom Zuckerman, Co-Counsel, Central Delta Water Agency

In addition to the formal testimony, Senator Kuehl also invited public comment.

The Committee did not limit its inquiry solely to information presented at the hearings. Each week the Committee posed written questions to the administration examining critical policy issues associated with the Governor’s proposal. The administration typically responded to those questions in writing in about a week.

Committee and staff also received personal visits, letters, e-mails, and phone calls from various interest groups and private citizens, each espousing an opinion or comment on the proposed infrastructure bond.

The Committee recommendations contained in this report draw on this entire record.

The Recommendations

As described in greater detail in the balance of this report, the Committee is recommending that the infrastructure bonds authorize a little more than \$8.0 billion for flood, water, and natural resources infrastructure investments.

\$8.0 B TOTAL FLOOD, WATER, & NATURAL RESOURCES INFRASTRUCTURE

\$2.1 B Flood Protection

\$600 M	Project Levee & Facilities Repairs
\$400 M	Flood Control System Improvements
\$400 M	Delta Levee Subventions & Special Projects
\$500 M	Flood Control Subventions Program
\$100 M	Floodplain Mapping Program
\$100 M	Floodway Corridor Program

\$0.5 B Regional Water Management

\$1.0 B Statewide Water Management

\$350 M	Water Quality Protection & Improvement
\$250 M	CalFed Bay Delta Program
\$400 M	Ecosystem Restoration & Improvement

\$4.4 B Natural Resources Infrastructure

\$1,970 M	Neighborhood, Community, & Regional Parks
\$1,800 M	State Parks & Wildlife Protection
\$675 M	Clean Water & Coastal Protection

While it is critical to increase funds for these projects and programs, solving the problems addressed in the bond will require more than just money. The Legislature must act to ensure the proper priorities are set, the appropriate policies are in place, and that our institutions are capable of applying those priorities and implementing those policies. This is especially true for flood protection, but is also important for regional and statewide water management. Consequently, this report also identifies those policy areas that will require additional legislative attention.

This Report

This report is organized as follows. Immediately following this introduction is a section that discusses the key policy principles that underlie the Committee's recommendations. Following that discussion are four major sections:

- Flood Protection
- Regional Water Management
- Statewide Water Management
- Natural Resources Protection

Within each of these sections, the report describes the Committee's recommendation, justifies that recommendation, and compares it to the Governor's bond proposal.

Following the four sections describing the Committee's flood, water, and natural resources infrastructure bond proposal is a brief discussion of the Governor's proposed Water Resources Investment Fee.

The appendices contain recommended language for the flood and water sections of the bond and the natural resources section of the bond.

2. Bond Financing Principles

In order to determine how to use bond financing to meet statewide goals, it is important to set forth some fundamental principles. The Committee based its recommendations for the flood, water, and natural resources infrastructure bonds on the following principles:

State Funds For State Responsibilities

The State has specific responsibilities regarding floods, water, and natural resources. These include:

- Enhancement of Public Trust Resources
Enhancement denotes actions beyond those required under existing regulatory requirements. This responsibility almost always requires the use of bond funds.
- Public Health & Safety
The Legislature has delegated this responsibility to cities, counties, and special districts. However, if a local government fails to meet this responsibility, it is the duty of the state to step in and correct the problem. Sometimes, but not always, this requires the use of bond funds.
- Establish State Resources Goals & Remove Impediments To Achieving Those Goals
The Legislature sets resources goals and policies by enacting statutes and creating new programs. There may, however, be impediments to achieving the goals, such as lack of experience in working towards that goal, institutional conflicts, or fear of liability. Sometimes, but not always, bond funds may be used to aid in planning or first steps to help remove those impediments.
- Establish & Enforce Rules of Behavior
While actually establishing and enforcing the rules of behavior rarely requires the use of bond funds, occasionally bond funds are necessary to fund research or the completion of products necessary to support the establishment or enforcement of rules of behavior.

Subsidies Should Be Avoided

Providing state funds for things that are not a state responsibility should be characterized as a subsidy, and should be avoided. Two key reasons for avoiding subsidies are:

- Subsidies Mask Economic Price Signals
Economists would argue this leads to less than optimal resource allocation.
- Subsidies Violate The Beneficiary Pays Principle
If the state is not the responsible financial party, then someone else will be.

Bonds Should Aid in the Implementation of Policy, Not Create Policy

Bond acts authorize the issuance of public debt to further public policy. There are many reasons why it is best to avoid setting public policy in the bond acts themselves.

- Water Resources Policy Is Constantly Evolving
Policy set in a bond is often too static. This is evidenced by the large amount of “orphan” bond funds; i.e., bond funds that were authorized but unused 10 or more years after authorization.
- “Solutions” To Problems Are Changing
There is a new awareness that traditional solutions to flood risk and local and regional water problems may no longer be appropriate. Resolving these problems will require research and extensive policy debate on the outcomes of that research. Bonds should be designed to allow flexibility to reflect new and better solutions.
- Bonds Should Be Flexible To Evolving Policy
The legislative process is the appropriate way to change policies. To the extent possible, bonds should be drafted to allow policies to evolve and still provide the necessary funds.

Respect Separation Of Powers And The System Of Checks And Balances

Bond acts should not be used to circumvent the constitutionally established roles of the legislative and executive branches.

- The Legislative Branch’s Power To Allocate Funds.
One of the fundamental checks on the executive branch is the budget process. In that process, the role of the Governor is to develop and propose a budget; the role of the Legislature is to review the proposed budget, amend where necessary, and to appropriate the funds to implement the budget. Bond funded programs that are funded by continuous appropriations bypass the formal budget process with its inherent checks and balances system. Consequently, continuously appropriated bond programs should be avoided.
- Oversight and Transparency
Another of the fundamental checks on the executive brand is the Legislature’s oversight. The Legislature’s ability to perform this function is greatly aided by requiring programs to be developed and implemented through open and transparent processes.

The Committee has endeavored to ensure that its recommendations conform to the bond financing principles set forth above.

3. Flood Protection

The Committee recommends that the infrastructure bonds authorize a total of \$2.1 billion for flood protection, as follows:

\$600 M	Project Levee & Facilities Repairs
\$400 M	Flood Control System Improvements
\$400 M	Delta Levee Subventions & Special Projects
\$500 M	Flood Control Subventions Program
\$100 M	Floodplain Mapping Program
\$100 M	Floodway Corridor Program

A. Project Levee & Facilities Repairs

The Committee Recommends The Following:

- That \$600 million dollars be available for appropriation by the Legislature for the immediate evaluation, repair, rehabilitation, reconstruction, or replacement of critical levees and other facilities of the State Plan of Flood Control, including, but not necessarily limited to, any of the following actions:
 - Repairing erosion sites and removing sediment from channels or bypasses.
 - Evaluating and repairing, rehabilitating, reconstructing, or replacing levees and any other facilities of the State Plan of Flood Control.
 - Completing a flood control system status report.
 - Implementing mitigation measures for any project undertaken under these provisions.
 - Funding the state share involved in developing one or more Natural Communities Conservation Plans (NCCP) or joint Natural Communities Conservation Plan/Habitat Conservation Plans (NCCP/HCP) for flood management projects.
- That the Legislature give highest priority to funding actions that protect one or more of the following:
 - The current population protected by a levee or flood management facility.
 - The public safety infrastructure protected by a levee or flood management facility. Public safety infrastructure is defined as street and highway evacuation routes, hospitals, and other infrastructure necessary to respond to a flood emergency.
- That the reclamation board prepare a report to the Governor and Legislature on the status of the state flood control system not later than December 31, 2008. For the purposes of preparing the report, the reclamation board shall inspect the project levees and review available information on all of the following:
 - A description and the location of all facilities of the State Plan of Flood Control, including, but not limited to, levees, canals, weirs, bypasses, and pumps.

- An evaluation of the performance and deficiencies of project levees and other facilities of the State Plan of Flood Control.
- A prioritized list of actions necessary to improve the performance and, to the maximum extent practicable, eliminate deficiencies of project levees and other facilities of the State Plan of Flood Control.
- That the reclamation board use the following criteria for establishing its priority list:
 - The likelihood of failure by the levee or facility.
 - The current population protected by the levee or facility.
 - The public safety infrastructure protected by the levee or facility.
- That the reclamation board consider both structural and nonstructural methods for improving the performance and eliminating deficiencies of project levees and other facilities of the State Plan of Flood Control. The reclamation board should attempt to meet multiple objectives by taking actions that will:
 - Reduce risk to human life, health, and safety from flooding.
 - Promote natural dynamic hydrologic and geomorphic processes.
 - Reduce damages from flooding.
 - Increase and improve the quantity, diversity, and connectivity of riparian, wetland, floodplain, and shaded riverine aquatic habitats, including agriculture and the ecological values of these lands.
 - Minimize the flood management system operation and maintenance requirements.
 - Promote the recovery and stability of native species populations and overall biotic community diversity.
- That the report become the basis for developing and implementing one or more NCCP or NCCP/HCP for flood management projects.
- That the Department of Fish and Game, the state board, and regional water quality control boards be authorized to expend funds from the bond for conducting and expediting any environmental reviews necessary for any activity funded by this article.
- That the reclamation board develop guidelines for matching funds to implement these provisions.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 6, under *Article 1. Project Levee and Facilities Repairs*.

Justification

In the near term, our best strategy for reducing flood risks is to correct known deficiencies and immediately develop a longer term plan for future improvements.

In November 2005, at a hearing before the Assembly Water, Parks and Wildlife Committee (AWP&W), the Department of Water Resources (DWR) estimated it would

cost at least \$600 million, and possibly \$1.0-1.5 billion to repair Central Valley levees to their original design. While federal funds might become available to aid in financing these repairs, the Committee believes it would not be prudent to delay repairs while waiting for federal fund authorizations.

Even with the funding provided by this bond, correcting all the deficiencies in the flood management system will take time. So, priorities are in order. The Committee recommends that the highest priority for funds should be protecting public safety and the infrastructure necessary to ensure public safety.

One of the recommendations of DWR's flood white paper titled *Flood Warnings : Responding To California's Flood Crisis*, was to "[d]evelop a strategic long-term flood control plan that would dictate improvements over time to provide high levels of flood protection for urban areas and to restore ecosystem functionality." Developing such a strategic plan will take time. The Committee recommends that development of such a plan should start immediately by the development of the flood system status report and priority investment list.

The administration testified that state environmental regulations generally were not an impediment to timely restoration actions. Nonetheless, there are things that can be done within the existing state environmental regulatory system that would help reduce time and costs. The Committee recommends that bond funds be made available to expedite state environmental reviews. The Committee also recommends that the flood system status report and priority investment lists become the basis for developing one or more NCCP or NCCP/HCP for flood management projects.

Other Necessary Actions

The project levee and facilities repairs funds are meant to address the immediate risks of flooding by correcting critically deficient levees and facilities and developing a prioritized plan for improving the flood management system. While important, solving the State's flood problems will require more than just money. A first additional priority must be to reform the reclamation board.

The reclamation board serves as both the planning and quality control agent for flood management in the Central Valley. Clearly, both planning and quality control have been lacking. In particular, the reclamation board has been either unable or unwilling to fulfill the quality control role. If we are to reduce flood risks in the Central Valley, we must restore the planning and quality control functions by:

- Strengthening the independence and resource capacity of the Reclamation Board.
- Clarifying and in some cases strengthening the Reclamation Board's powers and duties.
- Clarifying the relationship between the Reclamation Board, Department of Water Resources (DWR), Federal Agencies, and local flood management agencies.

This will require both statutory and budgetary actions by the Legislature.

Governor's Proposal

This recommendation differs from the Governor's proposal in a number of aspects.

Funding:

- The Governor proposed \$210 million for these activities
- The Committee is recommending the full \$600 million identified by DWR in its testimony before AWP&W.

Allocations:

- The Governor proposed specific allocations for specific types of repair.
- The Committee is not recommending specific allocations. This way, the Legislature can ensure that funds are spent on the highest priority projects, regardless of category.

Matching Requirements:

- The Governor proposed specific and complex matching requirements.
- The Committee is not recommending specific matching requirements and, instead, directed the reclamation board to develop guidelines for matching rates through an open and transparent process.
- The Committee recognizes that some sort of financial policy reform, including cost sharing rules, may be necessary. However, that reform should be accomplished through separate legislation.

Indemnification:

- The Governor proposed that any local agency responsible for operating and maintaining the levee at or adjacent to the levee repair work shall indemnify and hold the state harmless from any and all liability for damages associated with the work.
- The Committee is not recommending such an indemnification requirement in the bond.
- The Committee recognizes that indemnification is an important policy question. However, that issue should be resolved through the regular legislative process.

Reclamation Board vs. DWR

- The Governor proposed funding rules that appeared to blur the roles and responsibilities of the reclamation board and DWR
- The Committee recommended funding rules consistent with current law.

B. Flood Control System Improvements

The Committee Recommends The Following:

- That \$400 million dollars be available for appropriation by the Legislature for improving or adding facilities to the State Plan of Flood Control to increase levels of flood protection for urban areas, related habitat restoration, and prioritized needs established in the flood control system status report.

- That the following projects be eligible for funding under this article:
 - Flood control improvements to Folsom Dam and for the authorized state cost share of a new bridge downstream from the dam.
 - The American River Common Features Project.
 - The South Sacramento County Streams Project.
 - The Enhanced Flood Response and Emergency Preparedness Project that will enhance flood emergency response by using an improved hydraulic data network in the central valley.
 - New high priority projects or improvements identified in the flood control system status report.
- That the Department of Fish and Game, the state board, and to regional water quality control boards be authorized to expend funds from the bond for conducting and expediting any environmental reviews necessary for any activity funded by this article.
- That the reclamation board develop guidelines for matching funds to implement these provisions.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 8, under *Article 2. Flood Control System Improvements*.

Justification

At a November 30, 2005 hearing of the AWP&W, Leslie Harder, Acting Deputy Director of DWR, testified that it would cost roughly \$1 to 1½ billion to bring urban areas up to an acceptable level of protection. And, as more attention is brought to our ability to manage floods and flood risks, we find more instances where the risk is greater than previously recognized. For example, only two weeks ago, new engineering studies showed that the rapidly growing Natomas area of Sacramento may not have the one hundred year protection it was previously believed to have.

The Legislature has previously approved state funding for specific projects in the Sacramento Valley designed to improve the level of flood protection. The Committee recommends providing the funds necessary to complete those projects. In addition, the Committee recommends providing funding for new high priority projects or improvements identified in the flood control system status report.

Other Necessary Actions

The flood control system improvement funds are intended to improve the level of flood protection. Again, improving the level of flood protection will require more than just money.

Under the *Paterno* decision, the state is potentially liable for flood damages behind project levees. The most cost effective way of reducing flood risk is to keep people from getting into harms way in the first place. However, the state has no role in determining

what is and is not allowed to be built behind vulnerable levees. If we are to ensure that local land use decisions do not increase the state's liability under *Paterno*, land use planning reform will be necessary.

Similarly, the liability risk for flood damage is tilted heavily towards the state, with some local governments having little or no exposure. Yet, decisions made by cities, counties, levee districts and other special governments can greatly affect the likelihood of a flood system failure. A more balanced shared responsibility for flood risk and flood damages would force all governmental agencies to agree on similar interests in resolving flood risk problems.

Resolving these issues will require statutory actions by the Legislature.

Governor's Proposal

Funding:

- The Governor proposed \$200 million for flood management improvements.
- The Committee is recommending \$400 million for flood management improvements.

Eligible Projects:

- The Governor proposed funding a specific set of projects previously authorized by the Legislature.
- The Committee is recommending adding funding for new high priority projects or improvements identified in the flood control system status report.

Allocations:

- The Governor proposed specific allocations for specific projects.
- The Committee is not recommending specific allocations.
- The Committee recognizes that the previously authorized projects each have projected funding needs. However engineering cost estimates often change. By not having specific project allocations, the Legislature can ensure funds are appropriately directed to projects.

Matching Requirements:

- The Governor proposed specific matching requirements
- The Committee is not recommending specific matching requirements and instead directed the reclamation board to develop guidelines for matching rates through an open and transparent process.
- The Committee recognizes that that some sort of financial policy reform, including cost sharing rules, may be necessary. However, that reform should be accomplished through separate legislation.

Indemnification:

- The Governor proposed that any local agency responsible for operating and maintaining the levee at or adjacent to the levee repair work shall indemnify and hold the state harmless from any and all liability for damages associated with the work.

- The Committee is not recommending such an indemnification requirement in the bond.
- The Committee recognizes that indemnification is an important policy question. However, that issue should be resolved through the regular legislative process.

C. Delta Levee Subventions & Special Projects

The Committee Recommends The Following:

- That \$400 million dollars be available for appropriation by the Legislature to reduce the risk of catastrophic levee failure in the delta, and to be allocated as follows:
 - \$120 million dollars for implementation and administration of the Delta Levees Maintenance Subventions Program.
 - \$280 million dollars for implementation and administration of the Delta Special Flood Control Projects Program.
- That the minimum matching requirement for bond funds under the Delta Levees Maintenance Subventions Program be waived as follows:
 - DWR shall base the matching rate on the information developed by the comprehensive study, required under current law, of the agency's ability to pay for the cost of levee maintenance or improvement.
 - The Legislature may amend this section upon DWR completing and the California Bay Delta Authority (CBCA), or its successor, adopting the “Delta Risk Management Strategy.”
- That the Department of Fish and Game, the state board, and regional water quality control boards be authorized expend funds from the bond for conducting and expediting any environmental reviews necessary for any activity funded by this article.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 10, under *Article 3. Delta Levee Subventions and Special Projects*.

Justification

In the near term, our best strategy for reducing flood risks is to correct known deficiencies and immediately develop a longer-term plan for future improvements.

On November 1, 2005, the Senate Natural Resources and Water Subcommittee on Delta Resources, the Senate Transportation and Housing Committee, and the Joint Committee on Emergency Services and Homeland Security held a joint hearing titled “Thinking the Unthinkable – Are We Ready for Major Floods in the Delta?” At that hearing, Lester Snow, the Director of DWR testified that a 6.5 magnitude earthquake could collapse 30 levees, flood 16 delta islands and damage 200 miles of additional levees. He said 3,000 homes and 85,000 acres of farmland would be flooded. Damage could reach \$30 billion

over five years. In addition, it might cost \$ 3 to 5 billion to make critical Delta levees reasonably resistant to flood and seismic events.

The CBDA and DWR have already begun developing a plan to address the flood risk in the delta through the “Delta Risk Management Strategy.” That strategy is expected to be completed in about two years. While the CBDA and DWR work on the Delta Risk Management Strategy, the Committee recommends increased funding for both the Delta Levees Maintenance Subventions Program and the Delta Special Flood Control Projects Program. However, some levee districts are already having a difficult time meeting the matching requirements of the subvention program. So to ensure that delta levees are aggressively maintained, the Committee is recommending reducing or eliminating the minimum matching requirements for subventions funded by the bond for those districts that can demonstrate financial need.

Other Necessary Actions

Once the Delta Risk Management Strategy is completed by DWR and adopted by the CBDA, it may be necessary to amend the program requirements under Delta Special Flood Control Projects Program or the Delta Levees Maintenance Subventions Program.

Governor’s Proposal

Funding:

- The Governor proposed \$210 million for delta levee maintenance and improvements.
- The Committee is recommending \$400 million for delta levee maintenance and improvements.

Matching Requirements:

- The Governor proposed to maintain the matching requirements under existing law.
- The Committee is recommending eliminating the minimum matching requirement for delta levees maintenance subventions funded by the bond.

D. Flood Control Subventions Program

The Committee Recommends The Following:

- That \$500 million dollars be available for appropriation by the Legislature to reimburse local governments for the state’s share of local flood control project costs.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 11, under *Article 4. Flood Control Subventions Program*.

Justification

Flood control subventions reimburse local flood management agencies for the state share of legislatively authorized flood control projects.

According to DWR's flood subventions web site, the estimated state share of funding for approved projects through FY 2009/10 is \$501.3 million. To ensure that these previous commitments are met, the Committee is recommending full funding of the flood control subventions program.

Other Necessary Actions

None

Governor's Proposal

Funding:

- The Governor proposed \$250 million for flood control subventions.
- The Committee is recommending \$500 million to cover the full state liability for flood control subventions through FY 2009/10.

Appropriation:

- The Governor proposed to make these funds continuously appropriated to DWR.
- The Committee is not recommending that these funds be continuously appropriated and instead recommends that the Legislature maintain its check on the executive branch by making this program subject to the annual budget appropriation process.

E. Floodplain Mapping Program

The Committee Recommends The Following:

- That \$100 million dollars be available for appropriation by the Legislature to create and update maps that identify areas at risk of flooding.
- That the reclamation board or DWR be authorized to expend funds on the following:
 - Preparing and updating flood hazard maps that comply with the standards of the National Flood Insurance Program (also known as FEMA standards), of lands adjacent to the Sacramento and San Joaquin Rivers and their tributaries that are historically subject to overflow.
 - Providing community assistance for floodplain management activities and alluvial fan floodplain mapping in accordance with priorities established by the department in consultation with the Alluvial Fan Task Force.
 - Preparing, updating, and maintaining maps for levee protection zones. The maps shall include, if available, flood depth contours determined by the board. "Levee protection zones" are defined as those areas protected by a project levee.
- That the reclamation board and DWR be authorized to expend bond funds to conduct all necessary activities supporting development of the flood hazard maps and levee protection zone maps, including but not limited to, hydrologic studies, hydraulic studies, surveys, geotechnical investigations, and engineering evaluations, as needed.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, on page 12, under *Article 5. Floodplain Mapping Program*.

Justification

Without accurate maps, local governments and citizens have no easy way to know whether or not a particular area is reasonably likely to flood.

At the November hearing of the Assembly Water Parks and Wildlife Committee, Les Harder of DWR testified that there are extensive problems with the existing maps, and that many are woefully out of date. He further testified that it may take as much as \$100 million to completely update the floodplain maps.

The administration is sponsoring AB 1665(Laird). Among other things, that legislation calls for the creation of a new class of maps that would identify levee protection zones; that is, lands protected by project levees. With such a map, a homeowner would know whether or not their house would be subject to inundation in the event of a levee failure. There is no funding source for such maps.

Given that updating floodplain maps may cost as much as \$100 million, plus the additional costs of developing levee protection zone maps, the Committee is recommending \$100 million to fund the floodplain mapping program.

Other Necessary Actions

The administration is sponsoring AB 1665(Laird). This bill, among other things, would establish how levee protection zone maps would be used.

Establishing in law how levee protection zone maps would be used will require statutory action by the Legislature, either through AB 1665 or through some other bill.

Governor's Proposal

Funding:

- The Governor proposed \$90 million for floodplain mapping.
- The Committee is recommending \$100 million for floodplain mapping.

Eligible Projects:

- The Governor proposed funding FEMA maps and community assistance for alluvial floodplain mapping
- The Committee is recommending adding funding for mapping levee protection zones.

Allocations:

- The Governor proposed specific allocations for specific projects.
- The Committee is not recommending specific allocations.

F. Floodway Corridor Program

The Committee Recommends The Following:

- That \$100 million be available for appropriation by the Legislature for the protection, creation, and enhancement of flood protection corridors.
- That the reclamation board and DWR be allowed to expend funds or award grants for all of the following:
 - Acquiring easements and other interests in real property to protect or enhance flood protection corridors and floodplains while preserving or enhancing the agricultural use of the real property.
 - Setting back existing flood control levees and, in conjunction with undertaking those setbacks, strengthening or modifying existing levees.
 - Acquiring interests in real property located in a floodplain that cannot reasonably be made safe from future flooding.
 - Acquiring easements and other interests in real property to protect or enhance flood protection corridors while preserving or enhancing the wildlife value of the real property.
- That acquisition of easements be the preferred method of acquiring property interests unless the acquisition of a fee interest is required for management purposes or the landowner will only consider the sale of a fee interest in the land.
- That in acquiring easements and other interests in real property, priority be given to willing sellers.
- That all proceeds received from the disposal of a fee interest acquired under this article be deposited into the fund and shall be made available for purposes of this article.
- That the Department of Fish and Game, the state board, and regional water quality control boards be authorized to expend funds from the bond for conducting and expediting any environmental reviews necessary for any activity funded by this article.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 12, under *Article 6. Floodway Corridor Program*.

Justification

Floodway corridor projects attempt to address fisheries restoration, riparian habitat restoration, river restoration, and flood control improvements in a comprehensive, coordinated way.

The Committee heard public comment and received written communication from a number of interest groups expressing support for floodplain corridor projects and funding

authorized under Proposition 13. A common theme among those commenting was that funding for floodplain corridors was needed statewide, and not just in the Central Valley. Another common theme was that the floodplain corridor program was the most flexible and efficient way of providing flood protection improvements for areas where traditional approaches were not cost effective. Finally, many noted that the floodway corridor program under Proposition 13 was the only program that funded projects to reconnect rivers to their historic floodways, thereby reducing flood risk with improving ecosystem functions. Accordingly, the Committee is recommending that the floodplain corridor program be statewide and for similar projects as authorized under Proposition 13.

Other Necessary Actions

None

Governor's Proposal

Funding:

- The Governor proposed \$40 million for flood protection corridors.
- The Committee is recommending \$100 million for flood protection corridors.

Project Scope:

- The Governor proposed limiting the program to the Central Valley.
- The Committee is recommending extending the program statewide.

Program Details:

- The Governor proposed numerous restrictions and conditions on eligible projects.
- The Committee is recommending the program be patterned after the requirements of Proposition 13.
- The Committee recognizes that it may be desirable to clarify requirements of the program. However, that clarification should be either through the regular legislative process or through the development of the program solicitation guidelines.

4. Regional Water Management

The Committee Recommends The Following:

- That \$500 million be available for appropriation by the Legislature for competitive grants to develop and implement integrated regional water management plans.
- That the Legislature be authorized to appropriate funds from any of the following sources for competitive grants to develop and implement integrated regional water management plans:
 - The Clean Water Bond Law of 1984.
 - The Safe Drinking Water Bond Law of 1984.
 - The Safe Drinking Water Bond Law of 1986.
 - The Water Conservation and Water Quality Bond Law of 1986.
 - The California Safe Drinking Water Bond Law of 1988.
 - The Clean Water and Water Reclamation Bond Law of 1988.
 - The Water Conservation Bond Law of 1988.
 - The Safe, Clean, Reliable Water Supply Act.
 - The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act.
- That not less than 40 percent of the funds be available for eligible projects in northern California and not less than 40 percent be available for eligible projects in southern California.
 - "Southern California" is defined as the Counties of San Diego, Imperial, Riverside, Orange, Los Angeles, Santa Barbara, San Bernardino, and Ventura.
 - "Northern California" is defined as all California counties not in Southern California.
- That upon appropriation by the Legislature, DWR be authorized to expend funds for grants for water management projects that include one or more of the following elements:
 - Programs for water supply reliability, water conservation, and water use efficiency.
 - Storm water capture, storage, treatment, and management.
 - Removal of invasive non-native plants, the creation and enhancement of wetlands, and the acquisition, protection, or restoration of open space and watershed lands.
 - Non-point source pollution reduction, management, and monitoring.
 - Reservoir re-operation in conjunction with flood management.
 - Groundwater storage, recharge, or management projects.
 - Contaminant and salt removal through reclamation, desalting, or other treatment technologies.
 - Water banking, exchange, reclamation, or improvement of water quality.

- Planning and implementation of multipurpose flood control programs that protect property; improve water quality, storm and floodwater capture and percolation; and protect or improve wildlife habitat.
 - Watershed management planning and implementation.
 - Demonstration projects to develop new drinking water treatment and distribution methods.
 - Ecosystem and fisheries restoration and protection.
- That funding for integrated regional water management programs be authorized consistent with the provisions of Proposition 50.
- That to be eligible for financing, projects must be consistent with an adopted integrated regional water management plan.
 - DWR shall establish guidelines for integrated regional water management plans in consultation with the state board, the authority, the Department of Fish and Game, and the Department of Health Services.
 - It is the intent of the people of California that the department, in consultation with the state board, the authority, the Department of Fish and Game, and the Department of Health Services, revise and update the guidelines to reflect any amendments to the Integrated Regional Water Management Planning Act.
- That DWR, the state board, the CBDA, the Department of Fish and Game, and the Department of Health Services jointly develop project solicitation and evaluation guidelines. The guidelines are to include a description of the process by which the department, in consultation with the state board, the authority, the Department of Fish and Game, and the Department of Health Services, shall evaluate grant proposals and make recommendations for approval or disapproval to the director.
- That the following entities be eligible to receive a grant authorized by this chapter:
 - A public entity involved in water management, including cities, counties, cities and counties, districts, joint powers authorities, or other political subdivisions of the state.
 - An accredited public or private university or college.
 - A nonprofit organization qualified under Section 501(c)(3) of the United States Internal Revenue Code.
 - An Indian tribe.
 - An incorporated mutual water company.
 - An investor-owned utility regulated by the Public Utilities Commission.
 - A state agency.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 1, under *Chapter 4. Integrated Regional Water Management Program*.

Justification

Integrated regional water management plans are a relatively new concept for improving water resources management.

The Legislature first established these plans under the Integrated Regional Water Management Planning Act of 2002. This Act, created by SB 1672 (Costa), permissively allowed three or more public agencies to develop a plan to address one or more specific types of water resources challenges.

Also in 2002, the voters approved Proposition 50. That bond initiative, among other things, dedicated \$500 million in Chapter 8 of the bond for integrated regional water management grants. The Department of Water Resources and the State Water Resources Control Board, in the Chapter 8 guidelines, indicated that a number of existing regional planning documents could be utilized as a functionally equivalent plan.

The Proposition 50 guidelines further stated that, for implementation grant applications to be considered for funding, the proposed or adopted plans must meet a specific set of minimum standards consistent with existing statutes.

These examples suggest that the concept of integrated regional water management is a developing concept that should be encouraged. The Proposition 50 guidelines, in particular, seem to be flexible in their definition of the precise elements of an integrated regional water management plan.

In response to the funding provided in Proposition 50, numerous regional partnerships are developing integrated regional plans consistent with the Proposition 50 guidelines. Many are doing so with the intent of applying for implementation grants. Abruptly changing the rules for such plans might cause some Proposition 50 funded plans to become obsolete.

Because the concept of integrated regional water management is relatively new, there are many impediments to widespread adoption. One major impediment is the fact that the concept itself is still evolving. That is an issue best resolved through the regular legislative process. However, another major impediment is that local agencies do not have sufficient experience with regional planning to justify investing their ratepayers' funds in developing and implementing integrated regional water management plans. Here, bond funds may be appropriate.

There are still fund balances in many old water bond authorizations, some dating back to 1984. Recent estimates show that over \$500 million is still available in water bonds authorized in or before the year 2000. These funds were originally authorized for a broad variety of programs, but all generally fall into one or more categories of programs eligible for funding through the integrated water management program. The Committee recommends that the infrastructure bond authorize the Legislature to appropriate funds from water bonds authorized by the voters in or before the year 2000 for integrated regional water management grants.

Other Necessary Actions

There are a number of ideas for improving integrated regional water management planning that deserve consideration. These include:

- Changing the geographic distribution of funds
- Changing the necessary elements of the plans
- Changing allowable projects
- Changing the definition of economically disadvantaged communities
- Changing the administration of the program
- Changing how grants are awarded when there is more than one qualified application within the region

Amending the Integrated Regional Water Management Planning Act of 2002 to reflect these ideas will require statutory actions by the Legislature.

Governor's Proposal

Funding:

- The Governor proposed \$500 million for integrated regional water management grants.
- The Committee is recommending \$500 million for integrated regional water management grants
- The Committee is also recommending granting the Legislature the authority to appropriate funds from water bonds authorized by the voters in or before the year 2000.

Appropriation:

- The Governor proposed to make these funds continuously appropriated to DWR.
- The Committee recommends that the Legislature maintain its check on the executive branch by making this program subject to the annual budget appropriation process.

Geographic Distribution:

- The Governor proposed specific dollar allocations for each of the 11 major hydrologic basins.
- The Committee is recommending continuing the north/south split established in Proposition 50.
- The Committee recognizes that there may be merit to providing a further subdivision of integrated regional water management funds. However, that issue should be resolved through the regular legislative process.

Program Details:

- The Governor proposed numerous restrictions and conditions on eligible programs and projects beyond those established under Proposition 50 or the Integrated Regional Water Management Planning Act of 2002.
- The Committee is recommending that conditions placed on eligible programs and projects be patterned after the requirements of Proposition 50 and the Integrated Regional Water Management Planning Act of 2002.

- The Committee recognizes that there may be merit to providing a further direction for developing and implementing integrated regional water management programs and projects. However, that issue should be resolved through the regular legislative process.

5. Statewide Water Management

The Committee recommends that the infrastructure bonds authorize a total of \$1.0 billion for statewide water management programs, as follows:

\$350 M	Water Quality Protection & Improvement
\$250 M	CalFed Bay Delta Program
\$400 M	Ecosystem Restoration & Improvement

A. Water Quality Protection & Improvement

The Committee Recommends The Following:

- That \$10 million be available for appropriation by the Legislature to the Department of Health Services for grants and direct expenditures to fund emergency and urgent actions to ensure that safe drinking water supplies are available to all Californians. Eligible projects should include, but not be limited to, the following:
 - Providing alternate water supplies including bottled water where necessary to protect public health.
 - Improvements in existing water systems necessary to prevent contamination or provide other sources of safe drinking water including replacement wells.
 - Establishing connections to an adjacent water system.
 - Design, purchase, installation and initial operation costs for water treatment equipment and systems.
- That \$150 million be available for appropriation by the Legislature to the Department of Health Services for grants for small community drinking water system infrastructure improvements and related actions to meet safe drinking water standards. The Department of Health Services should give special consideration to small communities with limited financial resources.
- That \$50 million be available for appropriation by the Legislature for deposit into the Safe Drinking Water State Revolving Fund to provide the state share needed to obtain federal funds to assist communities in providing safe drinking water.
- That \$80 million be available for appropriation by the Legislature for deposit into the State Water Pollution Control Revolving Fund to provide the state share needed to obtain federal funds to assist communities in making those infrastructure investments necessary to prevent pollution of drinking water sources.
- That \$60 million be available for appropriation by the Legislature to the Department of Health Services for the purpose of loans and grants for projects to prevent or reduce contamination of groundwater that serves as a source of drinking water. The Department of Health Services shall require repayment for costs that are subsequently recovered from parties responsible for the contamination.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 16, under *Article 1. Safe Drinking Water and Water Quality Protection*.

Justification

The water quality protection and improvement programs provide funds to meet critical health and safety needs primarily to economically disadvantaged communities.

The proposed initiative titled “The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006” contains funding for water quality protection and improvement programs. The proponents of that proposed initiative vetted the water quality provisions widely among water agencies, community interest groups, environmental advocacy groups, and governmental experts. The consensus was that the funding levels proposed in that initiative for water quality actions would help make significant progress toward improving water quality.

The Committee recommends that funding for water quality protection and improvement programs be authorized consistent with the provisions of “The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.”

Other Necessary Actions

None

Governor’s Proposal

Funding:

- The Governor proposed \$250 million for water quality protection and improvement programs.
- The Committee recommends \$350 million for water quality protection and improvement programs.

Programs:

- The Governor proposed to fund the following water quality programs:
 - Funding the state cost share through the Safe Drinking Water State Revolving Fund
 - Funding the state cost share through the State Water Pollution Control Revolving Fund.
 - Providing emergency funding for remediation or containment of groundwater contamination to mitigate existing and imminent threats to water supplies.
 - Mitigating the impacts of urban and agricultural runoff and drainage.
- The Committee recommends, in addition to those water quality programs proposed by the governor, the following programs:
 - Expenditures for emergency and urgent actions to ensure that safe drinking water supplies are available to all Californians.

- Grants for small community drinking water system infrastructure improvements and related actions to meet safe drinking water standards.
- The Committee recommends not funding the Governor's proposed program to mitigate impacts of urban and agricultural runoff and drainage.
- The Committee recognizes that urban and agricultural runoff can seriously degrade water quality. However, it is the Committee's policy not to provide funds for actions that are the responsibility of others. Under current law, those that cause urban and agricultural runoff and drainage are responsible for mitigating those impacts.

Appropriation:

- The Governor proposed to make these funds continuously appropriated to DWR.
- The Committee recommends that the Legislature maintain its check on the executive branch by making this program subject to the annual budget appropriation process.

DWR vs. DHS & SWRCB

- The Governor proposed to appropriate funds in a way that appears to make DWR responsible for funding water quality programs in DHS and SWRCB.
- The Committee recommends that the Legislature appropriate funds directly to the agencies responsible for implementing the program.

B. CalFed Bay Delta Program & Surface Storage

The Committee Recommends The Following:

- That \$250 million be available upon appropriation of the Legislature to support the CalFed Bay-Delta Program.
- That of the funds made available for CalFed, not more than \$22 million be available to support development of surface water storage. Funds for surface storage development shall only be used for the following purposes:
 - Completion of surface water storage planning, feasibility studies, and environmental documentation pursuant to the CALFED Bay-Delta Program.
 - Preliminary engineering design of surface storage projects.
 - Identification of storage project design options that can help protect and restore the environment.
 - Evaluation of cost sharing for surface storage to support broad public benefits, federal interests in the project, and local public agency or private benefits through water supply or power generation.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, on page 17, under *Article 2. CalFed Bay-Delta Program*.

Justification

The mission of the CALFED Bay-Delta Program is to develop and implement a long-term comprehensive plan that will restore ecological health and improve water management for beneficial uses of the Bay-Delta System.

However, delta resident fish populations are collapsing. A recent Department of Finance report showed that many of the programs were seriously under funded, particularly the water quality program, and the Little Hoover Commission documented a litany of institutional shortcomings with the program.

Last year, the Legislature significantly reduced funding for the CalFed program. This was a reaction to the inadequacy of the program's finance plan. Serious concerns remain about the long-term viability of the program. Nonetheless, the Committee recommends providing sufficient funding to keep the program viable for the next few years, in the hopes that the program can be rejuvenated.

Surface Storage: One of the program areas of CalFed is surface storage. According to the July 2005 CalFed program plan for surface storage, all five of the surface storage investigations are significantly behind schedule. None of the projects have completed the environmental review and documentation process called for in the CalFed Record of Decision, and the Upper San Joaquin River Storage project isn't scheduled to complete its environmental review and documentation until August 2009. Complete environmental review and documentation is necessary to determine the feasibility of any project.

The California Water Plan Update identifies a number of strategies for addressing the state's future water needs, many of them being quite cost effective and providing a statewide benefit. For example, according to the chapter titled "Precipitation Enhancement," cloud seeding could provide an additional 300,000 to 400,000 acre-feet of water a year, at a cost of about \$19 per acre-foot. The water plan further shows that precipitation enhancement provides an energy benefit to the state, as well.

According to the recent update of the California Water Plan, the unmet need for feasibility and environmental studies for the five surface storage sites totals \$21.6 million. The Water Plan also notes that any future federal appropriation will further reduce this need. The Committee recommends allowing up to \$22 million of the funds for the CalFed program to be used for completing the surface storage studies.

Other Necessary Actions

The CalFed Bay-Delta Program is in turmoil. This is amply documented in the recent Little Hoover Commission report titled *Still Imperiled, Still Important*. The goal of CalFed is laudable. It ought to be possible for various water interests to work cooperatively to reduce the conflicts in the delta. However, no one seems to have the actual responsibility for ensuring progress. There has been a remarkable lack of fiscal accountability on the part of the California Bay Delta Authority and the implementing agencies. It is not clear who determines which specific program expenditures are necessary to meet the program goals, nor how that determination is made. Federal participation, both financially and programmatically, has been woefully lacking. Separate legislation and budgetary actions will be necessary to resolve the problems with CalFed.

Governor's Proposal

Funding:

- The Governor is not proposing specific funding for the CalFed program.
- The Committee recommends \$250 million for the CalFed program.

Surface Storage:

- The Governor initially proposed \$250 million in 2006 for planning and design of surface storage projects that are a part of the CalFed program and for study and construction of groundwater storage/conjunctive use projects that provide interregional benefits. The initial proposal would have provided \$1 billion in 2010 for the construction of surface storage projects that are a part of the CalFed program and groundwater storage and conjunctive use projects that provide interregional benefits.
- The Governor subsequently proposed to provide \$1.25 billion in 2006 to complete the planning and design of surface storage, study and construct groundwater storage projects, and fund the state share of construction of surface storage projects that may be recommended by the CalFed program. However, the \$1.0 billion for surface storage construction would be conditioned on the following:
 - State completion of all feasibility studies, CEQA and NEPA environmental review documentation, and all applicable permit processes.
 - State preparation of final cost sharing agreements to define cost and benefit distributions for any proposed project.
 - Legislative review of the project proposals and authorization of the projects.
 - No construction funds would be available for appropriation until 2010.
- The Committee recommends that, of the \$250 million recommended for the CalFed program, \$22 million be available to support development of surface water storage. Funds for surface storage development shall only be used for the following purposes:
 - Completion of surface water storage planning, feasibility studies, and environmental documentation pursuant to the CALFED Bay-Delta Program.
 - Preliminary engineering design of surface storage projects.
 - Identification of storage project design options that can help protect and restore the environment.
 - Evaluation of cost sharing for surface storage to support broad public benefits, federal interests in the project, and local public agency or private benefits through water supply or power generation.
- The Committee recognizes that groundwater storage projects can play a vital role in improving water management. However, those projects should be funded through the integrated regional water management program.

C. Ecosystem Restoration & Improvement

The Committee Recommends The Following:

- That \$400 million be available upon appropriation of the Legislature for resource stewardship and ecosystem restoration, including, but not limited to, any of the following:
 - Restoration of the San Joaquin River system.
 - Restoration of the Sacramento-San Joaquin Delta.
 - Habitat conservation planning and implementation.
 - Conservation easements on agricultural land.
 - Restoration of the Salton Sea.
 - Other ecosystem restoration projects and programs.

Draft language to implement these recommendations is in the attached *Recommended Water Bond*, beginning on page 17, under *Article 3. Ecosystem Restoration and Improvement*.

Justification

The need for ecosystem restoration in watersheds across California seems self-evident. The Delta ecosystem is collapsing. The Salton Sea is dying. And salmon populations are so low, commercial salmon fishing on the north coast may be banned latter this spring. At the same time, some longstanding conflicts may be about to be resolved on key river systems such as the San Joaquin River. The Committee recommends that the infrastructure bond contain sufficient funds to improve and restore ecosystems.

Other Necessary Actions

None

Governor's Proposal

Funding:

- The Governor proposed \$200 million for resource stewardship and ecosystem restoration.
- The Committee recommends \$400 million for water quality protection and improvement programs.

Appropriation:

- The Governor proposed to make these funds continuously appropriated to DWR.
- The Committee recommends that the Legislature maintain its check on the executive branch by making this program subject to the annual budget appropriation process.

DWR vs. DFG

- The Governor proposed to appropriate funds in a way that appears to make DWR responsible for funding ecosystem programs in DFG.

- The Committee recommends that the Legislature appropriate funds directly to the agencies responsible for implementing the program.

Davis-Dolwig:

- The Governor proposed that \$20 million be set aside for public recreation and fish and wildlife enhancement costs incurred pursuant to the Davis-Dolwig Act.
- The Committee recommends that Davis-Dolwig payments be made consistent with existing law, which states legislative intent that the payments be made through the annual budget process.

D. Other Programs Proposed In the Governor's Bond

The Committee Recommends The Following:

- That the infrastructure bonds not include specific funding for advancement of water resources and water quality science and technology.

Justification

Science and technology development is important. However it is not appropriate to use bond funds to fund such programs.

Other Necessary Actions

None

Governor's Proposal

Funding:

- The Governor proposes \$300 million dollars for water resources and water quality science and technology.
- The Committee recommends no direct funding for water resources and water quality science and technology.
- The Committee recognizes that science is an integral part of the CalFed program. To the extent that directed science is needed to resolve a water resources problem, it should be funded through the CalFed program.

6. Natural Resources Infrastructure

The natural resources infrastructure proposal made in this report has benefited tremendously from the work over the last year by Senator Wesley Chesbro and from his legislation, SB 153, a resources and parks proposal of \$3.945 billion. The Committee heard from numerous stakeholders that the Chesbro bond, while not all things to all stakeholders, represents a level of investment that will allow California's "natural infrastructure" to be maintained over the next several years.

The Committee recommends adopting the Chesbro bond proposal in its entirety. It also recommends four increases to discrete categories of the Chesbro bond to respond to the crisis in California's state parks as well as to meet California's pre-existing statutory obligations at Lake Tahoe and at the Salton Sea. Finally, the Committee recommends a new, relatively, small funding category for cost-share grants at the Coastal Commission to help coastal communities develop and amend their local coastal plans.

The Committee therefore recommends that the infrastructure bonds authorize a total of \$4.445 billion for natural resources infrastructure, as follows:

\$1,970 million	Neighborhood, Community, & Regional Parks
\$1,800 million	State Parks & Wildlife Protection
\$675 million	Clean Water & Coastal Protection

A. Neighborhood, Community, & Regional Parks

The Committee Recommends The Following:

- That \$1.97 billion be available upon appropriation of the Legislature for neighborhood, community and regional parks and recreation areas as follows:
 - \$500 million to the Department of Parks and Recreation (DPR) for local assistance grants, on the basis of population, for the acquisition, restoration and development of neighborhood, community, and regional parks and recreation lands and facilities.
 - \$500 million to DPR for grants for urban and special needs park and recreation programs and facilities in accordance with the following schedule:
 - \$150 million for the Murray-Hayden Urban Parks and Youth Service Program
 - \$150 million for the Urban Park Act of 2001
 - \$100 million for the California Youth Soccer and Recreation Development Program
 - \$100 million for the State Urban Parks and Healthy Communities Act
- \$50 million to DPR for grants, for the development, improvement, rehabilitation, restoration, enhancement, and interpretation of nonmotorized trails including, but not limited to, the San Francisco Bay Trail, the San Francisco Bay Water Trail and the California Coastal Trail for the purpose of increasing public access to, and enjoyment of, public areas for increased recreational opportunities.

- \$300 million to state conservancies that provide regional parks and recreational areas, in accordance with the particular provisions of the statute creating each conservancy, for acquisition, development, restoration and interpretation, and for grants for these purposes, according to the following schedule:
 - \$40 million to the Baldwin Hills Conservancy
 - \$40 million to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
 - \$40 million to the San Francisco Bay Area Conservancy Program
 - \$40 million to the Santa Monica Mountains Conservancy
 - \$40 million to the Sierra Nevada Conservancy
 - \$40 million to the California Tahoe Conservancy
 - \$20 million to the Coachella Valley Mountains Conservancy
 - \$30 million to the San Joaquin River Conservancy
 - \$10 million to the San Diego River Conservancy
- \$200 million to the California Tahoe Conservancy for environmental protection programs and projects.
- \$30 million to the California Conservation Corps for the acquisition, development, restoration, and rehabilitation of land and water resources, and for grants and state administrative costs, in accordance with the following schedule:
 - \$15 million for resource conservation projects.
 - \$15 million for grants to local conservation corps for acquisition, restoration, and development of facilities to support local corps programs, and for local resource conservation activities to improve public safety and improve and restore natural resources including regional and community fuel load reduction projects on public lands, and stream and river restoration projects.
- \$100 million to the California Cultural and Historical Endowment for competitive grants for the acquisition and preservation of buildings, structures, sites, places, and artifacts that preserve and demonstrate culturally significant aspects of California's history and for grants for these purposes.
- \$50 million to DPR for grants to natural history museums, aquariums, and botanical gardens that combine the study of natural science with preservation, demonstration, and education programs that serve diverse populations. Grants may be used for buildings, structures, and exhibit galleries that present the collections to inspire and educate the public.
- \$150 million to DPR for grants for the acquisition, development, and restoration of regional parks that serve multiple neighborhoods or communities, and that provide access to recreational opportunities that are lacking or limited within the region served or that provide a unique resources protection opportunity within the region.
- \$50 million to the State Coastal Conservancy for grants for acquisition, development, and restoration to expand the Santa Ana River Parkway.
 - \$20 million shall be for park projects adjacent to the mouth of the Santa Ana River.
 - \$30 million shall be equally divided between projects in Orange, San Bernardino, and Riverside Counties.

- \$10 million for the purposes of urban forestry grants .
- \$30 to DPR for grants to cities and counties in areas that are not eligible for grants for the development, improvement, rehabilitation, restoration, enhancement, and interpretation of nonmotorized trails and that have a severe shortage of parks and recreational facilities.

Draft language to implement these recommendations is in the attached *Recommended Resources Bond*, beginning on page B4, under *Article 3. Neighborhood, Community and Regional Parks and Recreation Areas*.

Justification

Expenditures for natural infrastructure are essential in order that our citizens can fully enjoy the benefits of our built environment.

Grants for urban and local parks, like many other categories of California’s infrastructure, are dramatically oversubscribed. The level of funding proposed in this bond will roughly equal the unmet demand from previous resource bonds. It is also important to fund previously unfunded, or underfunded categories such as nonmotorized trails, grants to communities which are underserved by parks, and the regional conservancies, many of which will be unable to fulfill their activities absent the funding in this proposal. It is true that not all of the categories funded in this category are now without financial resources. On the other hand, over the course of the availability of the funds proposed in the Chesbro bond, and in the absence of a General Fund commitment, each of these categories will require additional funds.

Other Necessary Actions

None

Governor’s Proposal

There was no comparable proposal from the administration.

B. State Parks & Wildlife Protection

The Committee Recommends The Following:

- That \$1.8 billion be authorized for state parks and wildlife protection, as follows:
 - \$900 million to be appropriated by the Legislature for acquisitions, development, interpretation, restoration, and rehabilitation of the state park system with at least \$30 million going to state park lands administered by local agencies
 - \$300 million to the Wildlife Conservation Board for the acquisition, development, rehabilitation, restoration, and protection of habitat for threatened and endangered species, links to habitat areas, and the protection of natural landscapes and ecosystems.
 - \$100 million: easements and fee purchase of “working landscapes,” agricultural lands, grazing lands, and oak woodlands

- \$250 million: Wildlife Conservation Board and the State Coastal Conservancy for joint forest conservation projects
- \$150 million: Wildlife Conservation Board grants for Natural Community Conservation Plans
- \$100 million for implementation of existing air quality and habitat requirements at Salton Sea

Draft language to implement these recommendations is in the attached *Recommended Resources Bond*, beginning on page B6 under *Article 4. State Parks and Wildlife Protection*.

Justification

The Committee heard testimony that the Department of Parks and Recreation faces a \$900 million backlog in deferred maintenance. It is the Committee's intention that the bond be flexible enough to pay for all, or virtually all, of this backlog.

The funds to the Wildlife Conservation Board are necessary to allow this entity to continue purchasing key blocks of habitat and conservation lands from willing landowners. Grants for NCCPs are among the most effective ways for the state to provide assistance to local governments that are trying to allocate lands for new development or wildlife conservation. The forestry program, although new, will be designed to help keep a working forestry land base in California which will be important environmentally as well as to the economic health of rural communities.

Other Necessary Actions

None

Governor's Proposal

There was no comparable proposal, although the Salton Sea was eligible for funding with other ecosystem restoration projects.

C. Clean Water & Coastal Protection

The Committee Recommends The Following:

- That \$675 million be authorized for Clean Water and Coastal Protection, as follows:
 - \$250 million: State Coastal Conservancy with at least \$15 M going to the coastal watersheds of the international border region
 - \$200 million: Clean Beaches Program, the Integrated Regional Water Management Program, the mercury contamination reduction program, and emergency actions to provide low-income communities with safe drinking water.
 - \$50 million: California River Parkways Act of 2004
 - \$100 million: Ocean Protection Trust Fund for the benefit of projects awarded by the Ocean Protection Council
 - \$25 million: urban stream restoration projects

- \$40 million: for clean-up of the New River
- \$10 million for grants to local communities to develop and amend local coastal plans

Draft language to implement these recommendations is in the attached *Recommended Resources Bond*, beginning on page B8, under *Article 5. Clean Water and Coastal Protection*.

Justification

This is the only suggested funding for the coastal conservancy which provides vital land acquisition services for communities along the coast, the Ocean Protection Council, and various coastal water quality programs. Additionally, these funds will maintain the fluidity of the River Parkways program over the life of this bond, and it will pay for the cleanup of the New River, arguably the most polluted river in America, which adversely affects a largely Latino, low-income community.

Other Necessary Actions

The Legislature should implement a policy bill on the mercury remediation program and on the grants program for local coastal plans.

Governor's Proposal

There was no comparable administration proposal.

7. Water Resources Investment Fee

The Committee Recommends The Following:

- That the Water Resources Investment Fee not be considered as a part of the infrastructure bonds.

Justification

Many believe there are sound reasons for some sort of resources consumption charge on water. However, there are vastly different opinions both on how the charge should be assessed, and the purposes for which the proceeds should be used. The timeline for approving the Governor's proposed bonds simply does not allow sufficient time to properly evaluate all the issues that this proposed charge raises. The Committee, therefore, recommends that the Legislature continue to work to evaluate and resolve the issues raised by this proposed water charge through the regular legislative process.

Other Necessary Actions

Implementation of any water resource consumption charge would require legislation.

Governor's Proposal

- The Governor proposes to impose a fee based on retail water providers based on the number and types of connections to fund integrated regional water management projects.
- The Committee recommends not pursuing the water resources investment fee as a part of the infrastructure bonds.
- The Committee recognizes that the need for a water resources consumption charge is an important policy question. However, that issue should be resolved through the regular legislative process.

8. Other Provisions

Economically Disadvantaged Communities

The Committee Recommends The Following:

- That “disadvantaged community” be defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

Draft language to implement this recommendation is in the attached *Recommended Water Bond*, on page 2, Section 82002, subdivision (n).

Justification:

This definition was established in the water code by the Legislature as a part of enacting Proposition 50.

Other Necessary Actions:

None

Governor’s Proposal:

- The Governor proposed to define “disadvantaged community” as a community with an annual median household income that is less than 80 percent of the regional annual median household income.
- The Committee recommends maintaining the definition used in Proposition 50.

Native American Consultations

The Committee Recommends The Following:

- That, before the adoption of any negative declaration or environmental impact report required to implement a project funded by this bond, the lead agency refer the proposed action to any California Native American tribe which is on the contact list maintained by the Native American Heritage Commission and which has traditional lands located within the area of the proposed project.

Draft language to implement this recommendation is in the attached *Recommended Water Bond*, on page 3, Section 82005, subdivision (b).

Justification:

Many of the actions fundable by this bond could affect traditional lands of Native American tribes. The Committee recommends that consultation take place before adoption of any environmental document to ensure traditional tribal lands are treated appropriately.

Other Necessary Actions:

None

Governor's Proposal:

- The Governor did not propose tribal consultation as a part of any negative declaration or environmental impact report.
- The Committee recommends tribal consultation be a part of any negative declaration or environmental impact report.

Program Guidelines

The Committee Recommends The Following:

- That by March 15, 2007, each state agency disbursing grants or loans, or expending funds for reimbursements or cost sharing pursuant to this division, shall adopt project solicitation and evaluation guidelines. The guidelines may include a limitation on the size of grants or loans to be awarded.
- That prior to disbursing grants, each state agency shall conduct two public meetings to consider public comments prior to finalizing the guidelines.
- That the guidelines may include a requirement for matching funds. However, a state agency may not require matching funds for the purposes of awarding a grant financed by this division to assist a disadvantaged community.
- That a state agency, in lieu of adopting guidelines, be allowed to use guidelines existing on January 1, 2007, to the extent those guidelines conform to the applicable requirements of this division.

Draft language to implement these recommendation is in the attached *Recommended Water Bond*, on page 3, Section 82003.

Justification:

This process was established in the water code by the Legislature as a part of enacting Proposition 50. By all accounts, it worked well.

Other Necessary Actions:

None

Governor's Proposal:

- The Governor initially proposed to authorize state agencies to develop emergency regulations to govern project solicitation and evaluation. The emergency regulations were to be in effect for up to two years.
- The Governor subsequently proposed to authorize state agencies to develop emergency regulations, but only after the agencies held workshops.

- The Committee recommends continuing the guideline development process established as a part of Proposition 50 implementation.

CalFed Consistency

The Committee Recommends The Following:

- That any project that will wholly or partially assist in the fulfillment of one or more of the goals of the CALFED Bay-Delta Program be consistent with the CALFED Programmatic Record of Decision as it may be revised, and be implemented, to the maximum extent possible, through local and regional programs.
- That to ensure consistency with the CalFed program, the CBDA or its successor review regulations, guidelines, or criteria that are proposed by an implementing agency to carry out a grant program for projects and activities that may affect CalFed.

Draft language to implement this recommendation is in the attached *Recommended Water Bond*, on page 4, Sections 82006 and 82007.

Justification:

This process was established in the water code by the Legislature as a part of enacting Proposition 50.

Other Necessary Actions:

None

Governor's Proposal:

- The Governor did not propose that projects be consistent with the CalFed Program.
- The Committee recommends continuing the CalFed consultation process established as a part of Proposition 50 implementation.

Definition of Capital Projects

The Committee Recommends The Following:

- That the bond language be specific to the types of projects fundable under each program and not include the “notwithstanding” language that would change the definition of capital assets established in the General Obligation Bond Law.

Justification:

The LAO recently noted a large portion of the funding under the Governor's bond proposal includes:

...provisions that are stated to be “notwithstanding Government Code section 16727.” This Government Code section essentially provides that general

obligation bonds are to be used for capital purposes. In some cases it is clear why the “notwithstanding” provision is needed—such as to allow bond funds to be used for floodplain mapping. However, the notwithstanding provision applies to the whole water management component of the two bond acts, totaling \$6.5 billion. It is unclear why the notwithstanding provision is made to apply so broadly; this opens the door to expensive debt financing of noncapital expenditures if controls are not put in place to limit this practice.

Other Necessary Actions:

None

Governor’s Proposal:

- The Governor proposed numerous exemptions to the definition of capital assets.
- The Committee recommends not including these exemptions to the definition.

Sub-Accounts

The Committee Recommends The Following:

- That sub-accounts not be established for each program.

Justification:

The administrative costs of establishing and maintaining sub-accounts is significant and provides no real benefit.

Other Necessary Actions:

None

Governor’s Proposal:

- The Governor proposed to establish sub-accounts for each program
- The Committee recommends that sub-accounts not be established

Appendix A: Recommended Water Bond Language

Appendix B: Recommended Resources Bond Language